

Inward and outward investment



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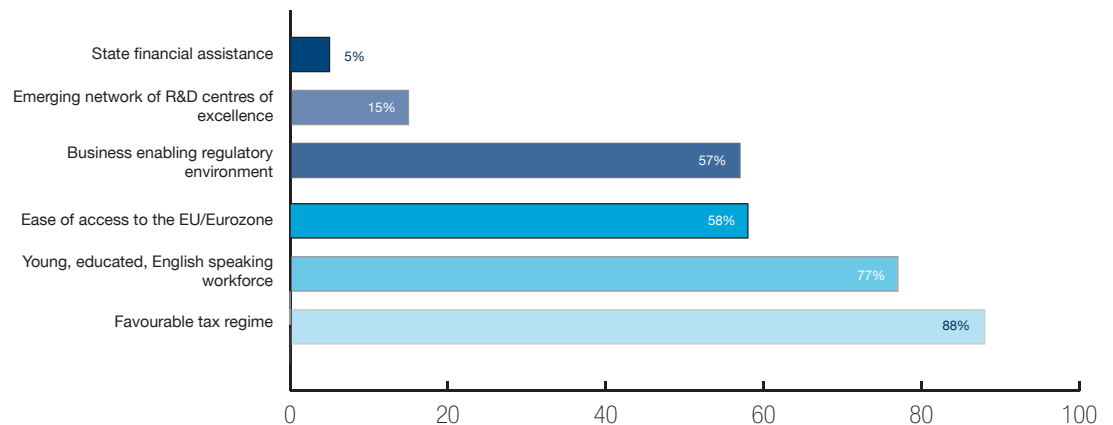
Despite global economic difficulties and a serious deterioration in tax revenues, Ireland continued to attract significant investment in 2008. This year's survey suggests strong and continued CEO support for Ireland as an investment location into 2009, notwithstanding the extremely challenging environment.

Ireland's continued status as an attractive investment location is reflected in the following survey results:

- 78% of CEOs of Irish headquartered groups stated that Ireland forms part of their future expansion plans. Furthermore, 85% of these CEOs indicated that they are not considering relocating Irish activities overseas. Both of these results have improved relative to last year.
- 88% of CEOs of multinational companies ("MNCs") are of the opinion that Ireland's tax regime is the most important influencing factor in the decision to continue to operate in Ireland, followed closely by workforce and EU advantages. (See Figure 4.0)

- The only significant departure from overall investment trends in prior years is that only one-third of MNC CEOs indicated that additional Irish investment is currently being considered – this is down from just under two-thirds last year. This is indicative of global sentiment on cutting costs in the short term, although it is notable that approximately three quarters of MNC CEOs still believe that Ireland is well placed to attract certain investments going forward.

Figure 4.0 Most influential factors in the decision to operate in Ireland
(% of CEOs of MNC subsidiaries)





While Ireland has not been immune from the downturn in the global economy, with various groups reconfiguring the extent of their Irish operations, these reductions have largely been offset in 2008 by expansions and new investments.

2008 brought a number of significant announcements highlighting Ireland's continued attractiveness to foreign investors. The end of year statement by IDA Ireland cites 130 new investments leading to the creation of almost 9,000 new IDA supported jobs and capital investment of €2bn.

Some of the significant 2008 announcements include the following:

- **R&D**

EMC announced a €20m investment in its R&D function; **AON** announced 100 new jobs as part of its R&D Centre of Excellence and **Cameron** announced a €15m development of its R&D and manufacturing facilities.

- **European headquarters**

Some of those announcing Ireland as the location of their new European/international headquarters include: **Facebook**; **Solaris Mobile** and **GOA**.

- **Manufacturing**

The **Coca-Cola Company** announced a \$300m investment in a new manufacturing and innovation facility; **Abiomed** announced 250 new jobs in its global manufacturing facility; **Zimmer** announced a €50m medical devices investment creating 250 jobs and **Eli Lilly** began construction on a €400m biopharmaceutical facility.

- **Other**

IBM announced a new Innovation Centre to expand cloud computing into Europe as well as a Global Centre of Excellence for Water Management.



Even in the current difficult economic climate, there have been some positive announcements in early 2009. For example, five Japanese MNCs announced investments in January, **Intel** announced a €50m investment its Irish R&D facility in February and in March, **Hewlett-Packard** announced an expansion of its Global Service Desk leading to 500 new jobs in R&D and technical support over the next 12 months.

CEO views on Ireland's tax regime

An overriding majority (88%) of MNC CEOs are of the opinion that Ireland's tax regime is the most important influencing factor in the decision to invest in Ireland. In a similar vein, a recent report issued by PwC, the World Bank and the International Finance Corporation entitled "*Paying taxes 2009 – the global picture*" covering 181 countries worldwide, found for the second consecutive year that Ireland was the easiest country in Europe and the 6th easiest country in the world, in which to pay business taxes.

These results echo our 2009 Global CEO Survey findings that a tax system's clarity and stability rank first on the list of tax investment considerations, followed by total tax costs and ease of compliance. The Irish Government's continued commitment to maintaining the 12.5% corporate tax rate, as well as recent enhancements in R&D tax credits, expat taxation and a new start-up company tax exemption, enhance Ireland's attractiveness as an investment location.

Over two thirds (68%) of MNC CEOs surveyed indicated that the Irish holding company regime helped to promote Ireland as an investment location within their group. Half of the CEOs surveyed, however, thought that the introduction of more favourable rules regarding the tax treatment of intellectual property would make Ireland a more attractive investment location.

In his October 2008 Budget speech, the Minister for Finance gave a strong commitment to enhance Ireland's attractiveness as a

location to develop, manage and exploit intellectual property, and this is to be welcomed as Ireland had fallen behind many competitor locations in this area.

It is interesting to note that only 22% of MNC CEOs surveyed believe that the availability of R&D tax credits help to promote Ireland as a place for business within their group. The fact that many CEOs have not attributed much weight to this R&D incentive is probably reflective of the relatively low uptake in claiming R&D tax credits so far.

Significant positive R&D tax credit changes included in the recent Finance Act, however, put Ireland to the forefront of R&D regimes globally. Enhancements introduced include: a flexible repayment system for excess credits; an increase in the credit, giving an effective tax benefit of 37.5% for qualifying expenditure; and an effective "volume basis" approach.



Outward investment plans

Looking at outward investment from Ireland, the survey again shows that the vast majority of CEOs of Irish headquartered groups, if considering expansions outside Ireland, favour locating within the EU, with the UK being the most favoured location. This emphasises the continued importance of the UK and EU markets to Irish groups. MNC CEOs, on the other hand, indicated high levels of interest in low cost jurisdictions in Asia and Eastern Europe. Interestingly, no significant disinvestment plans are suggested by Irish or MNC CEOs surveyed.

Opportunities for Ireland in the current environment

Cost control was cited by CEOs as the clear number one challenge facing their groups. Cost reduction initiatives present significant opportunities for Ireland as many international groups will need to utilise a business friendly low-tax location as they centralise business models, simplify group structures and reconfigure supply chains to reduce operating and tax costs and inefficiencies.

Our Global CEO Survey also noted a shift from mergers and acquisitions to joint venture arrangements as the latter are significantly cheaper to implement. With our business and tax advantages, particularly our tax-efficient holding company regime, Ireland is in an attractive joint venture location and this may be another area of investment opportunity in a very challenging economic environment.